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MINISTRY OF COMMERCE & INDUSTRY

RESOLUTION

CEMENT PRICES

New Delhi, the 31st October 1961

No. Cem-8(27)/61.—In their Resolution No. Cem-8(5)/60, dated 20th October 1960, the Government of India, being of the opinion that a comprehensive review of the cement industry, taking into account all aspects of the industry such as production, prices, distribution, development etc., was necessary, requested the Tariff Commission to conduct an enquiry. The Commission on conclusion of its enquiry has submitted its report.

2. The main recommendations of the Commission are as follows:—

(a) The final ex-works price of naked cement should be fixed as below:—

Unit	Rs. per tonne
1. Dalmia Bharat	67.50
2. Andhra Cement Co. Ltd.	73.00
3. Orissa Cements	73.00
4. Rohtas Industries Ltd.	73.00
5. Mysore Iron & Steel Works	73.50
6. A.C.C.	73.50
7. K. C. P. Ltd. (Ramakrishna Cements)	73.50
8. Dalmia Dadri Cement Co. Ltd.	75.00
9. Bagalkot Cement Co. Ltd.	75.00
10. U. P. Government Factory	75.00
11. Jaipur Udyog Ltd.	75.00
12. Ashoka Cement	75.50
13. India Cements Ltd.	76.50
14. Sarna Cement	77.50
15. Kalyanpur Lime & Cement Works	79.00
16. Sone Valley Portland Cement Co. Ltd.	79.00
17. Shree Digvijay Cement Co. Ltd.	79.00
18. Panyam Cements & Mineral Industries Ltd.	79.50
19. Travancore Cements Ltd.	103.00

(b) The ex-works price recommended should be in force with effect from 1st July 1961 and June 1964. If however, it is not adjusted retrospectively to the above date, the price should be adjusted to the price in force.

(c) The ex-works selling price of two units which Cements & Chemicals Ltd. and Madras Cements Ltd., is Rs. 77.50 p should remain in force for one year with effect from 1st July 1961. Their costs will be examined by the Commission in the second quarter of 1962.

(d) If a new unit commences production hereafter but before June 1964, its selling practice, be fixed on the basis of the prevailing practice of India and the cost may be fixed for a period of one year.

(e) In future, the Government from time to time may fix the price of cement bags, when such quotations come to the notice of the Government. As the incidental charges on packing have been included in the ex-works prices, the packing charge should cover the cost of gunny bags.

(f) As the commission payable to the Government has been provided in the ex-works prices, S.T.C. should not in future make any payment on this account to the Government. The Government may, however, on the basis of the opinion of the Commission, make a retrospective review of the ex-works prices of cement units. The Commission may also, if it is of the opinion that the ex-works prices of cement units are not in conformity with the retention prices of cement units, recommend the Government to fix the ex-works prices of cement units.

(g) The main recommendations of the Commission are as follows:—
(i) The Government should adopt a flexible policy as regards licensing of cement units and ensure that established producers having resources and know-how are not discouraged or prevented from establishing new cement units or adding to existing capacity.

(ii) The demand for cement is expected to rise to 12.8 million tonnes in 1964, and there is need for licensing additional capacity for manufacture of cement.

(iii) As S.T.C. has, on the whole, acquitted itself well in the internal trade of cement, no change in the present distribution system should be made.

(iv) Government have carefully considered the recommendations of the Tariff Commission in the context of the Third Five Year Plan and the need to maintain a measure of stability of prices. They are in general in agreement with the approach of the Tariff Commission to create conditions to stimulate greater production, which, in the ultimate analysis, will serve the interests of the consumers.

(v) While the Tariff Commission has taken note of the present system of retention prices for individual units has not provided industry sufficient incentive to improve efficiency and that it has recommended a more or less common price for the units of the industry, because of the apparent wide disparity in the production existing in the different units. Government are of the opinion that a system of differential prices, based on improved efficiency and greater production and that it will be in the interest of the industry, so that greater pressure is exerted on the units to improve efficiency and there is a measure of economic development. Government, however, recognise that in the present circumstances, an extra price may have to be allowed for a period of time, such as will enable them to continue in production until, by reaching economic levels, they are able to operate within the uniform price.

5. In regard to the order of increase in the ex-works prices recommended by the Tariff Commission, Government note that the bulk of the rise is due to factors such as upward revision of wages as a result of implementation of the recommendations of the Wage Board on the Cement Industry; extension of the Award to labour in quarries and consequent rise in the cost of limestone/sea sand etc.; higher railway freight, increase in rates of coal; increase in electricity tariffs as well as taxes on electricity imposed by State Governments; and increase in prices of inventory stores. Nevertheless, as observed by the Tariff Commission, economies are possible with better management control, and Government agree with the suggestion of the Tariff Commission that the industry should make every endeavour to reduce its cost of production progressively in the future. The importance of avoiding an undue rise in the price of a basic construction material such as cement, cannot be overemphasised. Having regard to the interests of the consumers on the one hand and the need on the other to have adequate incentives for expansion of production and effecting economies with a view to keep down costs, Government do not feel the increases, in full, recommended by the Commission are necessary.

6. (a) Accordingly, Government have fixed the uniform ex-works price of naked cement at Rs. 69.50 per tonne for the industry.

(b) In the case of the following units, an extra price as shown below will be allowed:

India Cements	.	.	.	.	.
Digvijay	.	.	.	.	.
Satna	.	.	.	.	.
Kalyanpur	.	.	.	.	.
Sone Valley	.	.	.	.	.
Panyam	.	.	.	.	.
Saurashtra	.	.	.	.	.
Madrass	.	.	.	.	.
Travancore Cements	.	.	.	.	.

} Rs. 3 per tonne

} Rs. 5-50 per tonne

} Rs. 25-50 per tonne

(c) The above prices are exclusive of the payment to selling agents (Rs. 1.50 per tonne) and incidental charges on packing (Rs. 1.25 per tonne). The present practice in regard to these payments will continue.

(d) The above prices are inclusive of an allowance of Rs. 2.00 per tonne towards rehabilitation and other approved purposes such as research, development etc. The present procedure applicable to rehabilitation allowance will apply in this regard.

(e) These prices will be in force till 31st March 1966, subject to adjustments whenever called for, for variations consequent on Governmental action, including escalation for fuel and power.

(f) Cases of new units and substantial expansions will be dealt with within the general framework set out above.

(g) The resultant selling price of naked cement will be Rs. 94/- per tonne plus excise duty.

In fixing these prices, Government have taken into account the interval that has lapsed since 1st July 1961. The above ex-works and selling prices are being notified under the provisions of the Cement Control Order and will be effective from 1st November 1961. Government will continue to watch the performance of the industry in consonance with these decisions and take such steps as may be called for in the interest of consumer.

7. Government wish to make it clear that their current policy for licensing additional capacity for production of cement is calculated to encourage new entrants to the cement industry but is not intended to rule out expansion by existing units.

8. Government agree with the Tariff Commission that no change in the present system of distribution by the S.T.C. is called for.

9. The Tariff Commission has made a number of other ancillary recommendations. These have been noted. Appropriate action thereon will be taken in due course.

ORDER

Ordered that a copy of the Resolution be communicated to all concerned and that it be published in the Gazette of India.

S. RANGANATHAN, Secy.

